

Comité de Liaison et d'Etude de
l'Industrie de la Chaussure de la
C. E. E.

C. L. E. I. C.

24, rue Montoyer - Téléphone : 13.19.50
BRUXELLES 4

Verbindungs- und Studienkomitee
der Schuhindustrie in der E.W.G.

3n)
Comitato di Collegamento e di Studio
dell'Industria della Calzatura della
C. E. E.

Contact- en Studiecommissie van
de Schoenindustrie van de E.E.G.

Reven 254

Before the

UNITED STATES TARIFF COMMISSION

4711.7(103)

Investigation No. TEA-I-18

Section 301(b)

Subject : Non-rubber footwear

°
° °

REPORT OF THE C.L.E.I.C.,
Coordinating and Study Committee
of the Footwear Industry for the
European Economic Community

October 20th, 1970.

Sunter
L. and
Chubb
Vivore

I N D E X

	Page
Background	2
Purpose of the Intervention	3
Free trade - Fair trade	4
General background of the Problem	4
Analysis and recent Development of U.S. Imports of E.E.C. Footwear articles	5
Prices	7
Consumer Motivation	10
Employment - Factory Closings	12
Relation between Import Growth and Tariff Concessions	13
Conclusion	15

Appendix 1 : United States Trade Balance.

Appendix 2 : Evolution of Footwear Imports into the United States
and the European Community.

Appendix 3 : Analysis of U.S. Imports of E.E.C. Footwear Articles.

Appendix 4 : E.E.C. Footwear Imports into the United States by Price
Ranges 1969.

Appendix 5 : Comparison of U.S. and E.E.C. Cost Prices.

Appendix 6 : Evolution of Labor Force and Factories.

The C.L.E.I.C. groups together the footwear manufacturers established in the Common Market nations. This Committee represents the footwear industry before the European Communities Commission and all other agencies on matters pertaining to the common interests of the sector. It is consequently on behalf of some 6,000 footwear manufacturers, employing a labor force of some 310,500 workers and employees, having at present an output of 750 millions pairs of shoes, that we have the honor of submitting the following report for your information.

BACKGROUND.

Our presentation before your Commission should be considered in the light of the level of integration achieved by the European Community since 1958.

The free exchange of goods between the Common Market nations, the substantially complete elimination of distortions of competition and the present fully achieved integration of the markets have resulted that the footwear industries of Belgium, France, Italy, the Netherlands and the Federal Republic of Germany consider themselves as members of a single economic entity. Any event which affect the foreign trade of a Member State of the Community results in inevitable repercussions on the position of industry in the Community as a whole, due to the existence of a single domestic market.

Because of these common interests, our industry wishes to be considered as a single entity, covering the whole Common Market territory.

Since the present investigation, is not examining the impact of imports into the State of Maine or of Massachussetts with reference to the production of Maine or Massachussetts, but the impact of the total US imports when related to the sum total of the production of the individual States, our industry believes that the trade with the Community should not be considered separately, i.e. individually for each Member-State, but for the Community as a whole.

PURPOSE OF OUR INTERVENTION.

Acting as the spokesman of footwear manufacturers, we have the highest consideration for our American Colleagues and a full understanding for the difficulties with which they might be faced. Being ourselves daily involved in actions having the defense of the interests of our members for their object, we endeavour, together with the Authorities of the EEC and the Governments of the Member States, to find satisfactory solutions to problems which, unfortunately for us, are not proper to the business of our American Colleagues alone. We do not deny the existence of concern for your domestic footwear industry or of the far reaching development problems it is experiencing at present. Too well aware ourselves as being likewise affected by them, of the commercial, financial, technical and sociological changes taking place in this industry, we are far from underestimating their impact on the conditions of survival of some manufacturers.

It is therefore not our intention to interfere with business aspects which we consider as being particular to your country, the more so as it would be difficult for us to appraise in a valid manner, as outsiders, the pertinence or validity of all the reasons for protection put forward by your domestic industry.

We consider it, however, our primary duty - as suppliers of large quantities of footwear marketed in the United States - to submit to your Commission and within the limits of the means at our disposal, a positive contribution within the framework of the terms of reference of the present investigation, namely :

"determine whether, as a result in major part of concessions
"granted under trade agreements, increased imports are causing
"or threatening to cause serious injury to the United States
"industry producing men's and women's leather footwear."

We do, indeed, consider ourselves as being in a position to place before you actual facts and elements of appraisal which we are pleased to submit to your attention. Our main purpose is to reach an equitable solution to the mutual interests of all concerned parties.

FREE TRADE = FAIR TRADE.

Being themselves firm believers in and convinced supporters of free enterprise, corner stone of the Western World economic system, the European footwear manufacturers fully share the conviction of their American Colleagues that the free exchange of goods is only possible within a fair trade environment. They are fully convinced that free trade, is a source of prosperity and high standards of living. They are also fully aware of the dangers of unfair commercial practices, which could affect adversely the purchasing potential, the stability of a market and the livelihood of a domestic industry.

We wish to state and prove further, that the bilateral EEC - USA exchanges of footwear articles do not prejudice in any way free trade principles, nor do they affect fair trade principles. Our presentation will be limited to this bilateral trade, as we are not qualified to comment on imports in the United States originating from other trading partners.

GENERAL BACKGROUND OF THE PROBLEM.

While the precise object of the present investigation is limited to the footwear trade, we believe that the general economic context should also be taken in consideration. When isolated from the overall trade figures relating to the exchanges between the USA and the EEC so as to evaluate only their direct impact, a highly positive balance in favour of the EEC footwear industry will indeed be noted and reveal a substantial growth for the last few years. But, when considered in its general context, the phenomenon is in no way extraordinary. The table, given in Appendix 1 attached to the present memorandum, shows that the overall balance for the trade between the USA and the EEC presents a credit which in turn is most significant in favour of the USA. This credit exceeds the overall trade balance of the US world exchanges.

In other words, the sales of the EEC to the USA inclusive of footwear articles are balanced in a very high degree by the purchases effected by our Community in the United States, and that if our deliveries of footwear to the United States in 1969 showed an appreciable increase, the latter was even more noticeable in respect of our purchases of other products in your country.

The purpose and the "raison d'être" of international trade is to exchange products with specific criteria such as specialization, fashion, technological improvements, which are more advanced in one country than in another. We shall see further on that such is also the case for the importation of footwear in the United States.

The development of the bilateral trade between the USA and the EEC, whether of footwear articles or of other products, is no surprising phenomenon either. In its most recent annual review, the G.A.T.T. terms as "unprecedented" the growth of international trade in 1969, the rate having risen to 17,5 % between industrialised countries ; the trends which were noticeable during the first half of 1970 making it probable that further impressive developments may be expected in due course. For the purpose of information, we attach as Appendix 2 a summary comparing the evolution of footwear imports in the USA and in the Community, together with the growth of internal Community exchanges since 1958.

ANALYSIS AND RECENT DEVELOPMENT OF US IMPORTS OF EEC FOOTWEAR ARTICLES.

While the statistical data available in the United States may be, rightly or wrongly, considered incomplete, we are nevertheless unable to substitute them with better sources of information and consider it more advisable to rely on such data.

A first comment is mandatory and we do not claim it as our own, considering that many documents submitted to the Commission refer to it : there are an unlimited number of different footwear articles, all of which are characterized by their individual properties for a well defined ultimate

use, by their style and quality, meeting the fashion trends and the diversified consumer tastes. To handle this problem without taking in consideration its peculiarities, is to commit a fundamental error of approach, which might undermine the findings of the investigation. This remark applies to the considerations whether based on quantities or on values. Because it is from the identification and teachings of the Community supplies to the US market, particularly from the ratio values/quantities and the multiple aspects thereof, that the final appreciation of your Commission will depend concerning the character, either perturbatory, or - what we fully maintain - absolutely regular, nay, even beneficial for the US manufacturer and consumer, of footwear imports originating from our Community. Let us not, however, rely too much on such identification, as it will never be perfect and will always be based on certain deductions and approximations derived from overall statistical data.

In order to evaluate such analysis and development, in the Appendices 3 and 4 are reproduced some data characteristic of the imports originating from the EEC, which enable us to draw the following conclusions :

- 1) the proportional share of footwear articles from the EEC of the total imports shows a downward trend, both for leather articles as well as for footwear generally ;
- 2) 3/4 of imported leather footwear are made up by women's and misses' shoes and about 20 % by men's shoes ;
- 3) 60 % of the leather footwear is of the sandal variety ;
- 4) the expansion of importations has been more important, of late years, for dress shoes than for sandals ;
- 5) the average (FOB) price for imported sandals, although continuously rising, is less than \$ 2 a pair, both for men's and women's sandals ;
- 6) the average (FOB) price for "dress shoes", which is likewise rising, compares favourably with the average price for the large mass of US footwear production (see Table 36 of the Task Force Report).

As regards the competitive pressure, expressed in quantities, of imported footwear, applied on domestic productions, it will be noted :

- a) that in the absence of a domestic production of men's leather sandals less than \$ 2 in value, the importation of such articles cannot in any way prejudice the US industry ;

- b) that the appearance on the US market of low priced women's leather sandals, far from affecting a practically non existent domestic production prior to such importations, actually provided the domestic industry with a new market. The interest displayed by the US consumer for this new article (and additional footwear items in the closet) prompted a demand which enabled the US industry to increase its own production. The low priced sandal, as well as the high priced fashion sandal, while both might be worn at times instead of a domestic shoe, tend to be worn for different occasions and activities and do not normally supplant other footwear.
- c) dress shoes imported from the EEC represent less than 10 % of the domestic production of these types of shoes, both for men's and women's shoes, Moreover, dress shoes arrive at unit values above the average of domestic shipments, indicating that styles and quality of these lines of imports are such as to attract purchasers for reasons other than comparative prices.
- d) In the light of the above remarks, neither the importation of sandals, nor that of dress shoes are likely to prejudice the domestic industry.

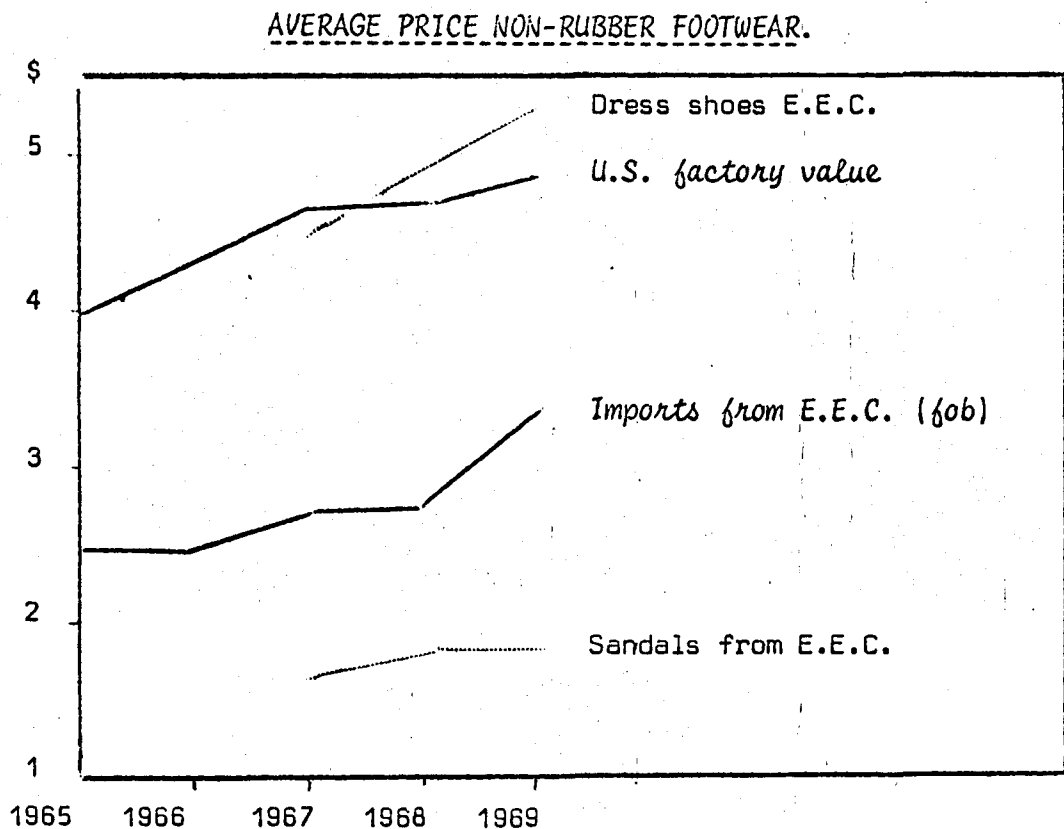
PRICES.

We should like to draw most particularly the attention of your Commission to the items, we consider desirable to develop, concerning the contended question of the prices at which the EEC footwear articles are imported into the United States.

Speaking on behalf of the National Footwear Manufacturers' Association Mr. GOLDSTEIN stated before the Committee on Ways and Means (Transcript of Hearings, Foreign Trade and Tariff Proposals, Part 9, p. 4.065):

"We (the NEMA) support a liberal trade posture, but our trade policy must come to grips with the realities of the world today. Wage and hour regulations, welfare programs and general inflation have created a cost structure for our labor intensive footwear industry which makes it impossible for us to compete with footwear from foreign countries."

Being an organization of manufacturers, the C.L.E.I.C. quite objectively acknowledges that the footwear industry has had to face during recent years a wage problem of particularly acute character, but this phenomenon is not exclusive to the American Continent. On the contrary we can definitely state that inside the Common Market the inflation of labor costs was more important during the last ten years, and more particularly during the last three of them, than in the United States. The growth of imports into the United States of footwear originating from the EEC cannot therefore be attributed to an evolution of labor costs which would have taken place to the detriment of the US industry. It is sufficient in this connection, to take a look at the following graph, to notice that the average price of imports originating from the EEC is located on a graph identical to that of the average US manufacturing price.



Source: U.S. Department of Commerce and Foreign Trade Statistics E.E.C. Member States.

We wish particularly to correct the actual basis of price comparisons, which up to the present, have originated in obvious errors.

As stated earlier, due to the multiple characteristics distinguishing one footwear article from another which determine their price, it is hardly possible to draw valid conclusions from comparisons of average prices based on widespread categories of shoes. This approach was selected because the overall statistics available do not enable comparison article by article to be carried out.

Indeed, the only fair method for drawing up such a comparison consists in breaking down the cost price for a specific type of shoe, produced in the United States on one hand, and in the Common Market on the other. Unfortunately, such purely accounting computation has never yet been carried out. There exist however schedules of industrial cost prices by means of which it is possible to come very close to true conditions. We have made use of them to draw up such a comparison, which, while theoretical, is nevertheless more accurate than those carried out up to date. The result of our considerations will be found in Appendix 5.

The conclusion to be draw is that, assuming computation data in every respect favourable to the US industry, it may be considered that the advantage to be derived from the difference between salary levels is, at most, of 17 %. As, on the other hand, the materials used are procured at world prices and the additional charges (which form a low percentage of the cost price) are also substantially the same on either side of the Atlantic Ocean, it may be dispassionately stated that the salary advantage is the only one justifying a difference in price.

But this European cost price, lower by 17 % at most than the US cost price, is subject, on entry of footwear articles into the United States, to customs duties, transport changes and insurance costs, evaluated on an average by the Task Force at a minimum of 25 % of the European cost price (page 40 of the Task Force report).

We are of opinion that this average of 25 % is below the true value as regards imports originating from the EEC, 3/4 of which are made up by women's shoes, for which the highest customs duties are levied.

Nevertheless, when applying this value of 25 %, the price of footwear imported from the EEC would amount in the end to :

$$(100 - 17) + 25 \left(\frac{100 - 17}{100} \right) = 103.75 \%$$

of the US cost price. In other words, a specific pair of shoes imported from the Common Market, will cost the US retailer at least 4 % more than the same pair of shoes produced in the States. We wish to emphasize the term at least, because, independently of the generous computation which resulted in a salary advantage of 17 %, the Task Force acknowledges that the extra of 25 %, to which the imported article is subjected on entry into the United States, is less than the true amount. It is indeed stated, also on page 40 of the cited report :

"Their effective cost, moreover, should probably include an added element to cover the uncertainties inherently involved in importation."

As regards the consumer, the price differential is even more marked, as it follows from investigations carried out by your Commission and by the Task Force that the mark up is, if not higher for the imported article, at any rate levied in the same ratios as for the domestic article.

CONSUMER MOTIVATION.

As we have shown above, the same pair of shoes, produced in the Common Market on one hand and in the United States, on the other, is offered to the US consumer at a higher price for the foreign article than for the domestic article. How then explain the growth of the sales of European footwear and the consumer's craze for articles which he could obtain on better terms within the range of domestic production ?

THERE CANNOT BE THE SLIGHTEST DOUBT THAT THIS IS THE QUESTION AROUND WHICH REVOLVES THE IMPORT PROBLEM.

"The realities of the world today" to which Mr. GOLDSTEIN referred to in his statement cited on page 7 of the present memorandum, are not to be limited to terms of competition expressed with reference to salary charges. These realities reproduce the will of the consumer and his choice mandated by his natural and human needs. It is definitely not an antipatriotic sentiment which urges the US customer to prefer in certain cases the imported article, nor is it deliberate practice to be prepared to pay a higher price for one and the same article only because it is of foreign origin.

The realities of the world to-day for the US industry imply, that for the same materials and identical performances, the imported footwear includes the knack of something, which conditions the attitude of the US consumer (an attitude, moreover, not different from the attitude of consumers in the other countries of the world, who, like those in the United States, purchase larger and larger quantities of footwear originating from the Community).

This something is to be sought in the presentation of the article. The presentation, the visible aspect, the style of a shoe are elements which cannot be included in money terms in the industrial cost price, so that differences which are noticeable in such respects between two articles of footwear, alike as to composition, type of manufacture and quality, are not reflected by the price of the article. But, on the other hand, at the consumer level, the investigations bearing on motives have shown that as regards articles of apparel, including footwear, fashion, style and color override any other consideration and consequently also that of price.

We make the foregoing statements fully aware of the facts, having lived, in our capacity as professional body, through the far reaching changes inside the footwear industry of the EEC, changes arising from the same phenomenon entailing meeting immediately, and calling therefore for a considerable flexibility of manufacture, the decrees of fashion. Let us not forget either that the evolution of fashion, would very often have to be expressed rather by the term revolution, particularly in the women's footwear field.

We agree that the initiators of such revolutions are to be found in large numbers in the European Community. We also feel that the footwear industry should avail itself of progressive creations of styles and trends, so as to maintain its share in an increasing purchasing power market.

We do not hesitate either to state that, because of the prompting by the European competition, the US footwear industry benefited in a large measure from the opening of new markets and the development both of new articles and frequent fashion changes within a year !

°

° °

EMPLOYMENT - FACTORY CLOSINGS.

In its report (page iv); the Task Force states that :
 "Footwear employment has been declining slowly and
 "irregularly for several decades. Through 1968, on the
 "other hand, recent evidence of unemployment was meager and
 "labor shortages were generally a more pressing problem.
 "With the downturn in production in 1969, however, unemploy-
 "ment apparently rose to above the national average, with
 "particular concentrations in certain communities in New
 "England. Again, it proved difficult, on the basis of the
 "evidence available to the Task Force, to separate unemploy-
 "ment due to imports from that due, for example, to the
 "continuing shift of the industry to other areas, including
 "to newer shoe-producing centers within New England."

By referring to this paragraph, we do not wish to interfere with a domestic problem of the United States, but to contribute our own experience in the matter. Appendix 6 relates the evolution of the labor force employed in the EEC footwear industry between 1964 and 1968 (the figures for 1969 are not yet available, but the information on hand enables us to state that the downtrend continues). The table of this Appendix gives also an idea of the number of shoe factories which have been closed. Alongside of the EEC data, we have shown the corresponding US data.

It is rather striking to note that the rate of drop of the EEC labor force is definitely more marked than that of the USA. The same remark applies to the number of factories closed. In the case of some EEC Member States, it is no exaggeration to speak of a decline. Paradoxally, the vanishing of employments and of factories went along with a substantial increase of our production and exports.

This phenomenon may be explained in the main by the joint effect of the following two criteria :

- rationalization of the production, resulting in a higher productivity per labor unit ;
- enhanced mechanization because of the gradual change from a labor based industry to an industry with a higher capital investment ratio.

We presume therefore that the same criteria will also have led in the United States to a recession of employment.

But a fundamental distinction has to be made between a recession of employment and a rise of unemployment. The first phenomenon is common to all manufacturing industries without setting per se a social problem. The second phenomenon, should it be found true and continuous for a fairly extended period, would bear witness to certain difficulties.

The unemployment figures for the US leather industry show a regular drop in the number of unemployed, who decreased from 31,400 in 1963 to 14,600 in 1968, to rise again to 21,800 in 1969. It would be strange, to say the least, that the imports should be responsible for this sudden increase of the unemployment figures in 1969, considering that since 1963 and until 1968, unemployment had substantially dropped notwithstanding the appreciable growth rates for importations. Such an assertion would be subject to caution, being invalidated by the facts for the six years prior to the year 1969.

We would be more tempted to attribute this increase of unemployment to the drop in production, not on account of importations, but, as set forth by the Task Force at page 6 of its report, because of :

"the poor acceptance of the styles offered that year, and,
"from the point of view of current production, to some carry
"over of inventory from 1968."

RELATIONSHIP BETWEEN IMPORT GROWTH AND TARIFF CONCESSIONS.

During the period prior to 1968, imports into the USA developed at the known rate, without any tariff concessions of any kind being granted. The question of determining *to what extent tariff concessions*

favoured importations to the point of becoming a prejudice to the domestic industry is therefore only acute within the framework of the concessions granted following the Kennedy-Round, under which the first tariff reductions were introduced on January 1, 1968.

After having already shown that the imports, although continuously rising, have *not* prejudiced the domestic industry, we explain below the reasons which prompt us to state that the tariff concessions, granted since 1968, have had *no decisive influence* on the importation graph :

1) these tariff reductions for the leather footwear considered are :

- men's footwear

sandals and dress shoes	0.5 percentage point in 1968 0.5 percentage point in 1969
in order to reduce the duty from	10 % to 9 %

- women's footwear

sandals (not over \$ 2.50)	1.0 percentage point in 1968 1.0 percentage point in 1969
in order to reduce the duty from	20 % to 18 %
dress shoes (over \$ 2.50)	2.0 percentage points in 1968 2.0 percentage points in 1969
in order to reduce the duty from	20 % to 16 %.

- 2) the impact of these reductions on the price of the imported articles is *too low* to neutralize the price differential between the imported article and the domestic article.
- 3) such reductions did *not* result in a drop of the price of the imported articles as evidenced by the graph shown on page 7.
- 4) as in any case price is only a *subsidiary* consideration for the selection made by the consumer, the slight drops resulting from the reduction of customs duties are not likely to influence per se the attitude and the motives of the consumer.
- 5) of a growth in imports of about 70 millions pairs of nonrubber footwear for the years 1968 and 1969, 50 millions fall within 1968, i.e. a year for which the duty reduction only amounted to 0.5, 1.0 and 2.0 percentage points, depending on the kind of article.

6) between 1968 and 1969, the growth of imports was more marked for men's footwear than for women's footwear. If the respective increases had been the immediate consequence of the reduction in customs duties, women's footwear *should* have shown the better progress, considering that the reduction in customs duty in 1969 amounted to 2 and 4 percentage points for such footwear, as against only 1 percentage point for men's footwear. Actually, prior to the Kennedy - Round, the strongest growth in imports was that of women's footwear !

CONCLUSION.

The growth of imports of footwear articles originating from the EEC *does not result from tariff concessions*, nor from any other advantages either, which could reduce their cost below that of equivalent domestic products. Their success with the US consumer may be attributed to characteristics which either create a new demand and consequently provide an article previously unknown, or which meet the consumer's desires.

The procurement motives are paramount, whether for European footwear on the US market, or for specific US products exported in large quantities to the European market because of their particular characteristics: tobaccos for their taste, motor cars for their performances, design and bodywork, office equipment because of their technical achievements, etc. Yet, the Community is also a producer of these goods.

The introduction of *new* characteristics on the US footwear market, far from being prejudicial to the interests of the domestic industry, provided the latter with new possibilities for development and expansion, thanks to the increase in consumption.

"Some trade estimates indicate, for example, that if fashion
"were no longer a consideration in consumer buying, total US
"consumption might be little more than half its present level.
"The divergent acceptance between the styles introduced in 1968
"and those of 1969, testify to the force of this proposition."
(Task Force report, page 10).

If notwithstanding the impetus resulting from the importations the domestic industry considers itself faced with certain problems, their solution is definitely not to be found in curtailing free world trade.

Respectfully submitted,

C.L.E.I.C.,
Coordinating and Study Committee
of the Footwear Industry for the
European Economic Community,
24 Montoyer Street,
1040 BRUSSELS.

(millions \$)

I. UNITED STATES
TRADE BALANCE.

1967	1968	1969
------	------	------

Total US Exports	31.147	33.982	37.444
Total US Imports	26.816	33.114	36.052
Credit	+ 4.331	+ 868	+ 1.392

II. TRADE BALANCE
U.S. - E.E.C.

- excluder non-EEC > excluder
non-EEC

Total E.E.C. imports originating from the U.S.	5.859	6.388	7.328
Total U.S. imports originating from the E.E.C.	4.457	5.886	5.800
Credit in favour of the U.S.	+ 1.402	+ 502	+ 1.528

- Some low risk imports from
the US 70, different currencies with
2,36 M\$ / dollars

ANALYSIS OF U.S. IMPORTS OF E.E.C. FOOTWEAR ARTICLES.

1. Share of E.E.C. footwear of total U.S. imports.

	Quantity			Value		
	1967	1968	1969	1967	1968	1969
Non-rubber footwear	35 %	36 %	33 %	56 %	53 %	51 %
Leather footwear	70 %	68 %	63 %	68 %	64 %	61 %

2. Imports of E.E.C. leather footwear.

A	Quantity 1.000p			Value 1.000\$		
	1967	1968	1969	1967	1968	1969
Men's and boys'	8.100	10.720	11.825	31.400	41.292	53.706
Women's	34.600	45.273	45.165	78.400	114.325	139.212
Misses' children's and infants'	1.200	3.018	4.462	11.400	14.308	18.996

B	Quantity 1.000p			Value 1.000\$		
	1967	1968	1969	1967	1968	1969
Sandals						
men's & boys'			3.749			7.098
women's & misses'	30.522	36.295	30.457	49.136	63.081	55.205
children's			1.990			2.675
Dress shoes						
men's & boys'	4.891	6.205	7.096	21.895	32.602	44.101
women's & misses'	8.157	12.685	18.483	36.471	59.718	91.894
children's	324	337	538	1.231	1.041	1.608

EVOLUTION OF FOOTWEAR IMPORTS INTO
THE UNITED STATES AND THE EUROPEAN COMMUNITY

		1958	1969
		Index	Index
Total Footwear Imports into the United States (1)	46.602.000 pairs	= 100	283.061.000 pairs = 607
	45.820.000 \$	= 100	488.152.000 \$ = 1.065
Total Footwear Imports into the European Community (2)	9.204.000 pairs	= 100	74.501.000 pairs = 810
	12.700.000 \$	= 100	70.380.000 \$ = 554
Internal Community exchanges (3)	11.046.000 pairs	= 100	131.380.000 pairs = 1.189
	26.500.000 \$	= 100	344.374.000 \$ = 1.300

(1) U.S. Department of Commerce.

(2) (3) C.L.E.I.C. - data drawn from the Foreign Trade statistics of the E.E.C. Member States.

3. Average price (of E.E.C. leather footwear imports).

	Sandals			Dress shoes		
	Men's and Boys'	Women's and Misses'	Children's	Men's and Boys'	Women's and Misses'	Children's
1967	→	1.61	←	4.48	4.47	3.80
1968	→	1.74	←	5.25	4.71	3.09
1969	1.89	1.81	1.34	6.21	4.97	2.99

Sources : Tables 1 and 2 A : U.S. Department of Commerce.

Tables 2 B and 3 : make it possibility to obtain information
as to the proportional share of sandals and
dress shoes and consequently of their average
price.

Differences between figures of tables 2 A and 2 B are due to
different nomenclatures.

N.B. : The dollar value shown in the import statistics is defined generally
as the market value in the foreign country, and therefore excludes
U.S. import duties, freight charges from the foreign country to the
U.S. and insurance.

E.E.C. FOOTWEAR IMPORTS INTO THE UNITED STATES BY PRICE RANGES, 1969.

(millions of pairs)

Price Range	Leather Imports			
	Men's and Boys'	Women's and Misses'	Child- ren's Infants'	Others
Less than 1.20	-	-	-	-
1.21 - 1.80	-	-	0,1	-
1.81 - 2.40	4,4	29,6	2,4	-
2.41 - 3.00	-	-	-	-
3.01 - 4.20	-	-	-	-
4.21 - 6.00	0,1	18,1	-	0,4
6.01 - 7.80	7,0	0,1	-	1,0
7.81 - 10.20	-	0,4	-	0,6
more than 10.20	0,4	-	-	-
Total	11,8	45,2	2,5	1,9

Vinyl Imports	Other Imports
-	0,1
3,0	-
0,6	0,2
-	-
-	-
-	-
-	-
0,1	-
3,9	1,0

Source : Foreign Trade statistics of the E.E.C. Member States.

Tanner's Council of America
 40% labor | Appendix 5.
 20% leather |
 (unpublished)

COMPARISON OF USA AND EEC COST PRICES.

In its report "Facts and Figures" issued in 1968, Section I, Manufacturing, page 8, the National Footwear Manufacturers' Association includes an "Example of marketing costs used in making a pair of shoes", such costs being broken down as follows :

<u>Shoe Manufacturer :</u>	<u>Percent :</u>	
Cost of upper leather	15.0 /	27.1
Cost of soles, inner soles, linings	10.1 /	18.3
Labor, overheads, shipping and profit	30.2 /	54.6
	<hr/>	<hr/>
	55.3	100.0
 <u>Retail store :</u>		
Cost of shoes	55.3 /	
Salesmen	20.1 //	
Overheads, selling and profit	24.6 //	
	<hr/>	
Retail price :	100.0	

It is unfortunate that the breakdown at production level does not separate out the criterium "labor", because it is just this criterium which the US industry considers responsible for differentials and possible price advantages. We are, however, able to overcome this disadvantage, as we have access to more detailed breakdowns for the European countries and propose that applying to the Federal Republic of Germany. We have deliberately selected this country because it is known as paying the highest salaries in the Community. In this manner we deliberately weigh for our example the criterium "labor" with reference to the "Community average", which would be slightly less therefore. This cost structure presents the following appearance :

	<u>Percent</u>
Use of materials	43.0
Miscellaneous supplies	5.0
Power consumption	0.7
Labor (salaries and social security charges)	30.1
Other charges	21.2
	<hr/>
	100.0

Source :

Annual Report 1969
Association German
Footwear Manufacturers.

It is pleasant to note the very close similitude between the percentages of materials used in the United States and in Germany.

This is not surprising, as these materials are sold at world prices and at universally applied rates.

Starting out from this fact, we consider that the "labor" feature accounts for 30 % of the cost price of pairs of shoes, the more so as the Task Force (on page 41 of its report) considers this percentage also as acceptable for the United States.

We shall apply to this percentage the mean hourly salary rate paid in the footwear industry in the United States and that paid in ... Italy (considered as the lowest paid in the EEC). In order not to get involved in polemics concerning the exact mean hourly salary rates for the United States and Italy, we shall make use for our demonstration computation of the values cited in the Tariff Commission records (Commission Table 23, October 1968), as follows :

Italy : \$ 1.23 per hour,

USA : \$ 2.18 per hour.

The salary advantage expressed as a percentage of the cost price, to the benefit of the Italian manufacturer or by extrapolation "Community" manufacturer, will be obtained by multiplication of the ratio

between these two hourly salary rates by the "labor" criterium :

$$\frac{1.23}{2.18} \times \frac{30}{100} = 16.95 \%$$

As in order to determine such differential salary advantage, we followed a *rule in every way favourable to the US manufacturer*, the percentage of 17 should be considered as being the *highest possible value*.

EVOLUTION OF LABOR FORCE AND FACTORIES.

United States and E.E.C.

Number of
production
workers.

	1964	1967	1968	1969
Germany	91.303	88.053	80.470	65.025
Belgium	14.487	11.385	9.754	9.732
France	69.204	65.524	63.731	62.470
Italy *	140.000	126.000	126.000	(126.000)
Netherlands	14.378	13.365	12.294	11.100
E.E.C.	329.372	304.327	299.249	274.327
United States	204.800	203.000	206.900	197.700

Number of
factories

	1961	1964	1967	1968
Germany	1.055	1.106	1.083	1.014
Belgium	457	384	271	261
France	1.131	876	732	670
Italy *	4.125	4.000	3.900	(3.900)
Netherlands	281	275	273	259
E.E.C.	7.049	6.641	6.259	6.104
	<u>1962</u>			
United States	1.230	1.137	1.123	1.111

(*) The last census in Italy was made in 1967. Although employment and factories probably decreased during 1968 and 1969, we maintain the figures for 1967.

Source : C.L.E.I.C. data drawn from national statistics.